

EVALUATION OF FINANCIAL CONDITION

Understanding the financial condition of the Village is an important precursor to developing the Biennial Budget. It is critical for municipal officials to monitor, analyze, and respond to changing social, demographic, economic, and financial environments to ensure their municipality's present and future viability. Understanding the status of the external environment and the Village's financial condition at the beginning of the budget period before the revenues, expenditures, and changes in financial condition included in the biennial budget have impacted the Village's finances is critical to an assessment of impact of the Biennial Budget.

Trend analysis allows the Village to monitor changes and anticipate future problems by identifying and rationally arranging the factors that affect the Village's financial condition to facilitate analysis and measurement. The environmental and financial indicators analyzed and measured are used to assess the Village's financial condition at the beginning of the budget period. This assessment provides a basis from which the budget can be developed with an understanding of how any changes in Fund Balances or Net Assets included in the Biennial Budget will affect the Village's financial condition at the end of the budget period.

Trend analysis is based on the development of financial ratios and environmental trends from Village financial documents as well as relevant economic and demographic data from a variety of sources. The ratio and trend indicators included in this section are grouped into six categories, these include:

- Community Needs and Resource Indicators
- Revenue Indicators
- Expenditure Indicators
- Operating Position Indicators
- Debt Indicators
- Comparative Indicators

Multiple indicators are provided for each one of these categories to provide a robust amount of information from which to analyze the Village's financial condition. Each individual indicator is rated on a one to five star system (with five stars being the best) in order to provide an understanding of how the Village is doing in that particular area.

Community Needs and Resource Indicators – These indicators encompass the economic and demographic characteristics that determine the resources available to the community (*i.e., revenues that can be generated within a community to finance service provision efforts*) as well as the service demands that may be required by the community (*i.e., demands for public safety, capital improvements, and social services*).

Population Change by Decade, 1970 - 2020

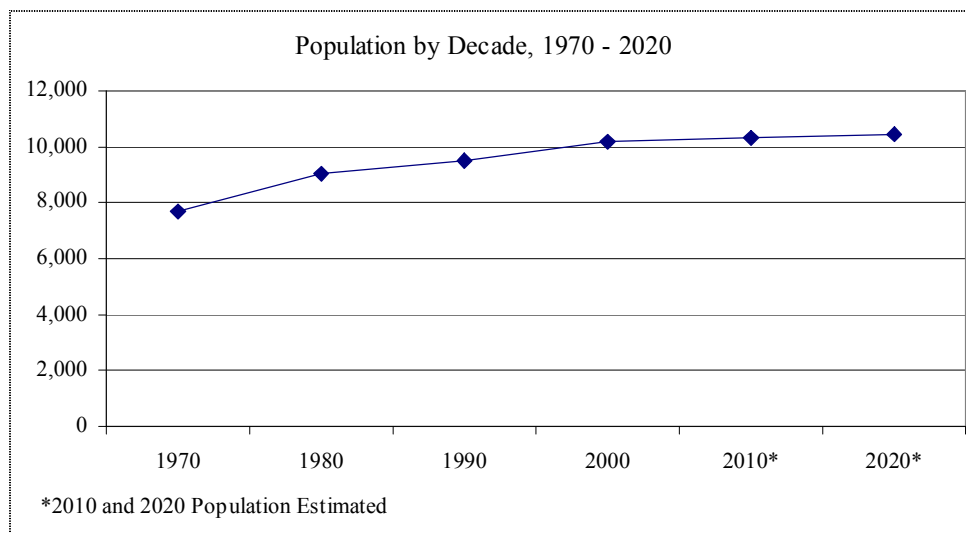
Definition and Significance: A rapidly increasing population in a community can be stressful as demand for services typically increases at a rate faster than the population. Decreases in population can also be stressful because a community's ability to provide services decreases but the demand for services often remains constant. In addition, the Village's population has financial consequences because many of the tax revenue sources received from the State of Illinois are based on population. For instance, Motor Fuel Taxes and the municipal portion of the Illinois Income Tax are distributed on a per capita basis. The population count for these revenue sources must be by an official census certified by the Bureau of the Census.

Basis of Measurement: The population of the Village comes from United States Census documents for past decades. For future decades, the Village's population estimate is based on information from the Northeastern Illinois Planning Commission (NIPC) which uses Census information to estimate future populations for communities in the Chicago Metropolitan Area.

Warning Signs: A stable trend is a positive sign for a municipality. A rapid increase or a decrease in population often puts stress on a municipality's ability to continue to provide adequate services to residents. In addition, rapid changes in population trends often have a pronounced negative effect on a community and may require additional services to compensate for the negative social and demographic effects of rapid population change.

Performance Rating: ★★★★★

Analysis: The Village's Population has been increasing at a sustainable pace over the past two decades. The 1970s were the last decade in which the population increased at a rate greater than 10%. The Village anticipates a continuation of this slow pace of growth in population over the next couple of decades as the amount of land available for residential development in the community is limited. It is anticipated that the Village's population will increase slowly through 2020 to a total of approximately 10,500.



Percent of Poverty Households, 1970 - 2000

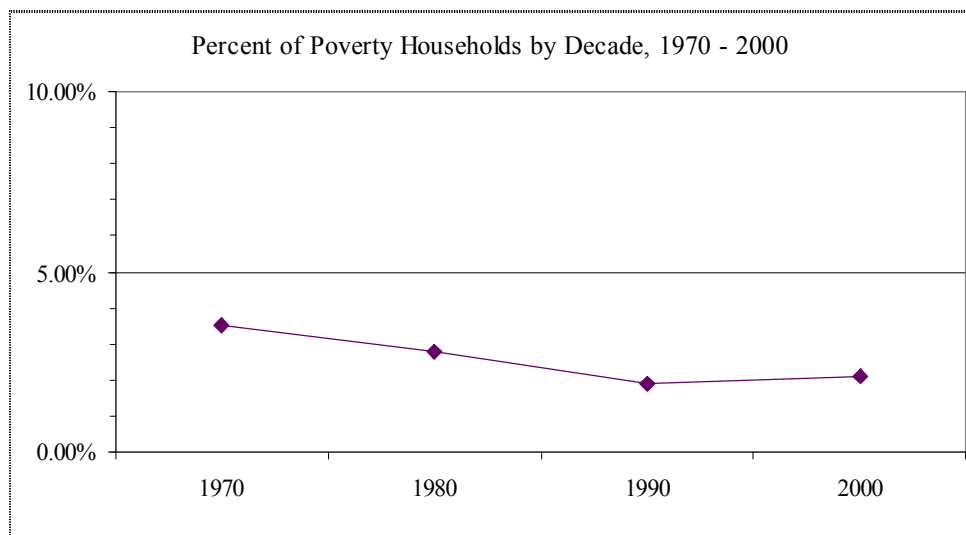
Definition and Significance: The percent of poverty households measures the total number of households with an income less than the Federally established poverty line as a percent of the total households in the community. Communities with a significant percent of poverty households face difficulties due to an inability to generate resources combined with a high demand for municipal and social services.

Basis of Measurement: This is measured by U.S. Census results.

Warning Signs: The lower this number is the better it is for the community, both in terms of the ability to generate resources and in terms of the services needed by the community. An increasing trend would be a signal that the Village faces future additional service demands as more households cope with the problems associated with financial stress combined with fewer resources that can be generated by the community for municipal service provision efforts.

Performance Rating: ★★★★★

Analysis: The Village has very few households below the poverty line. In addition, there has been a declining trend in the number of these households in the Village in the past three decades. This reflects the increasing wealth of the residents in the community as the median household income in the 2000 census was \$102,120 which is 76.96% higher than the State of Illinois median income and 97.85% higher than the National median income.



Percent Change in Equalized Assessed Value

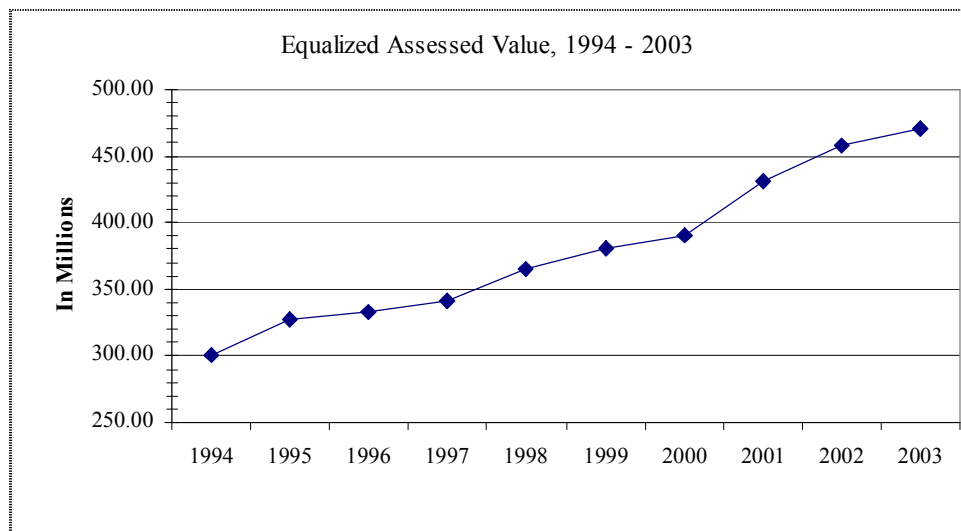
Definition and Significance: Positive changes in the Equalized Assessed Value (EAV) of a community indicate that the property values in the community are continuing to increase. This is an important indicator of the community's ability to generate resources for municipal services. Growth in the EAV is also indicative of a healthy community that is an attractive place to live and do business (*increases in property values are caused by demand for properties in a community or by residential or commercial development in the community*).

Basis of Measurement: The EAV of the Village is adjusted annually by either the respective Township (Cuba or Elmhurst) Assessor's Office for properties located in Lake County or by the Cook County Assessor's Office for properties located in Cook County. Properties in Lake County are reassessed every four (4) years by the respective Township Assessor. Properties in Cook County are reassessed every three (3) years by the County Assessor. The Village is notified of the EAV of properties within Lake County in early Spring when the tax bills are mailed. The Village is notified of the EAV of properties within Cook County in the Fall when the tax bills for the second installment are mailed.

Warning Signs: A plateau or drop in the EAV of the Village would indicate a lowering of demand for real estate located in the Village. This would be a prime indicator of economic and social challenges in the future for the Village as a community and as an organization.

Performance Rating: ★★★★★

Analysis: In the past ten years the equalized assessed value of property in the Village has increased 56.72% from slightly more than \$300 million to a little higher than \$475 million (an average increase of 5.67% per year, higher than the rate of inflation). This indicates a strong demand for property in the Village and provides a larger resource base for maintaining adequate municipal services.



Crime Rate

Definition and Significance: The crime rate in the community is the number of misdemeanor and felony offenses that occur within the corporate boundaries of the Village. The crime rate in the Village is strongly indicative of future demands for police services as well as the social and economic health of the community.

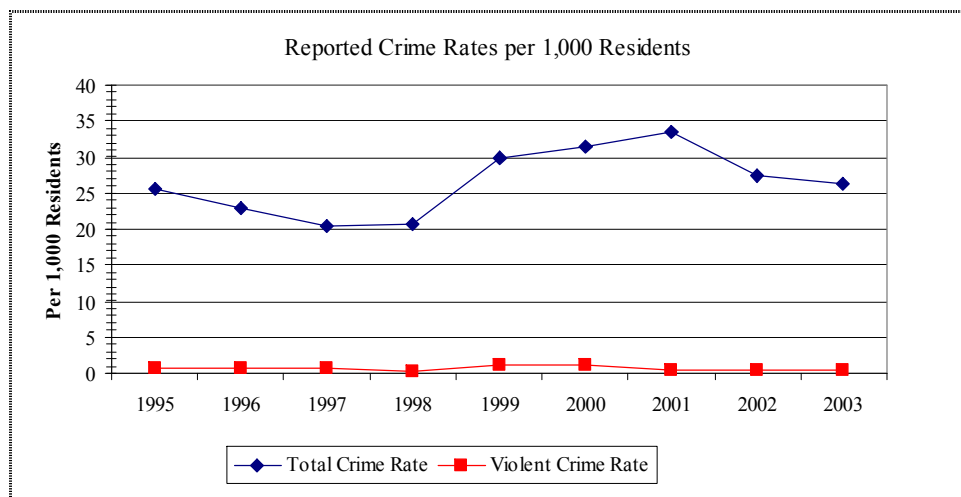
Basis of Measurement: The Crime Rate is measured from the Village's Police Department Statistics.

Warning Signs: An increase in the number of misdemeanor or felony offenses.

Performance Rating: ★★★★★

Analysis: In 2003, the Village's overall crime rate, at 26.24 incidents per 1,000 residents, is much lower than the national average of 371.60 incidents per 1,000 residents (*these crime rates include the Village of Inverness as this is part of the service area for the Police Department*). In addition, violent crime in the Village is rare with less than 1 incident per 1,000 residents per year in every one of the past ten years except for 1999 and 2000. In comparison, the national average for violent crime was 23.1 incidents per 1,000 and 22.6 incidents per 1,000 in 2002 and 2003 respectively. The low crime rates are an indicator of the overall social and economic health of the community.

Although the total crime rate increased in 1999, 2000, and 2001, the violent crime rate remained very low and the overall crime rate began declining in 2002.



Unemployment Rate

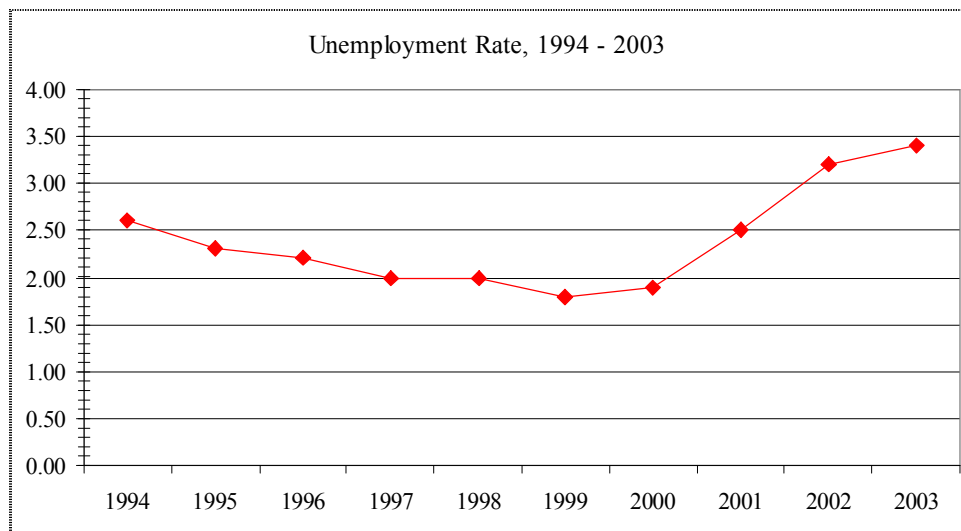
Definition and Significance: The unemployment rate in the community is another indicator of the overall health of the community. A high unemployment rate indicates that residents of the community will be facing financial challenges and may not be able to contribute resources towards municipal services. In addition, a high unemployment rate produces social stress in the community and among families as financial challenges for those who are unemployed or underemployed mount. This additional social stress will increase the demand for services and may have an impact on a community's crime rate.

Basis of Measurement: The Unemployment Rate is measured by the Illinois Department of Labor and is provided to the Village every year.

Warning Signs: A sustained increase in the unemployment rate that is not reflective of the trends in the national or regional economy may indicate that residents of the community have lost some competitiveness in comparison to residents of the Chicago Metropolitan Area. Also, an unemployment rate that is higher than State or National averages would indicate that residents of the community are facing difficulties in comparison to the average.

Performance Rating: ★★☆☆

Analysis: The unemployment rate in the Village is much lower than either State of Illinois or National averages (6.70% and 6.00% respectively in 2003 as compared to the Village's rate of 3.40%). However, Village residents have been affected by the economic turbulence of the last couple of years and the unemployment rate for residents has increased from a little under 2.00% in 2000 to 3.40% in 2003. Although property values have increased and income levels of residents on average remain relatively high when compared to State or National averages, this upward trend in unemployment is an indicator of a growing number of residents facing some economic challenges.



Business Activity

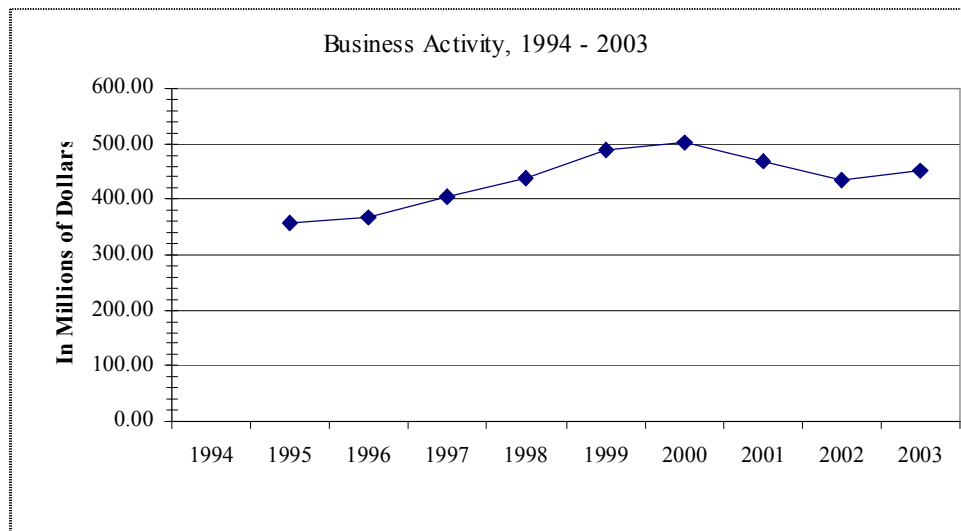
Definition and Significance: Business activity in the community provides a measure of the economic health of the community. In a thriving community, business activity is vibrant as residents spend their disposable income in the community. A decline in business activity may be an indicator of either a poor business environment in the Village and/or a decline in the disposable income of Barrington area residents (*a decline may also be an indicator of both of these factors*).

Basis of Measurement: Business activity is measured by the receipt of Sales Tax by the Village. The Village receives 1% of the retail sales of goods and services in the Village. By dividing the Village's Sales Tax receipts by 1%, the total amount of goods and services sold at retail in the Village can be measured.

Warning Signs: Drops in the total amount of goods and services sold at retail in the Village; this is an especially important indicator if those drops are not reflective of trends in the regional, state, or national economies.

Performance Rating: ★ ★ ★

Analysis: From 1995 through 2000, businesses in the Village were able to continuously increase the amount of business activity in the Village. However, in period between 2000 and 2002, business activity in the Village was negatively impacted by the challenges facing the State and National economies. In 2003, the business activity in the Village appears to have rebounded slightly but has not yet returned to the level it reached in 2000.



Revenue Indicators – These indicators analyze the capacity of a municipal government to provide services and highlight the growth, flexibility, elasticity, dependability, and diversity of the Village’s revenue base.

Village Revenues per Capita

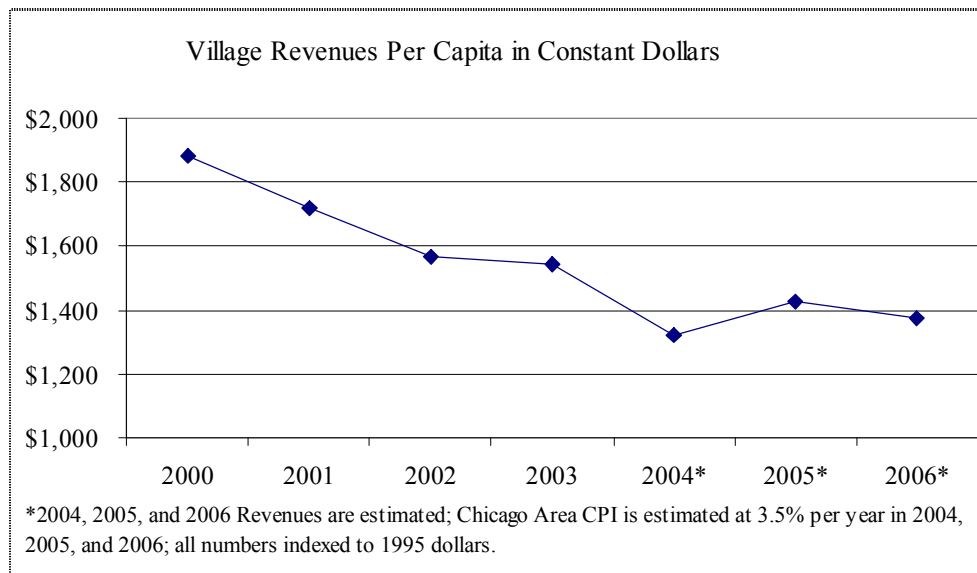
Definition and Significance: Village Revenues per Capita measure the change in revenues relative to changes in population over time. This is an important measure of a municipality’s financial condition because a decline in Revenues per Capita means that the municipality has fewer resources per resident to maintain existing services.

Basis of Measurement: This ratio is measured by dividing all Village operating revenues (defined as all revenues except transfers, interfund charges, and borrowing) by the Village’s population. This number is then converted to a constant dollar basis, indexed to 1995 dollars, by using the Chicago Area Consumer Price Index produced by the U.S. Department of Labor.

Warning Signs: A declining trend line would indicate that the Village’s revenue base is declining on a per resident basis which may indicate that the Village will not be able to maintain its current level of services due to a decline in the resources available to support those services.

Performance Rating: ★★

Analysis: As demonstrated in the graph, Village revenues per capita have decreased since 2000, from approximately \$1,900 per resident in 2000 to an estimated \$1,300 per resident in 2004. By 2006, Village revenues per capita are expected to increase slightly from 2004 to approximately \$1,400 per resident. Although total Village revenues will increase from 2000 to 2006, once the effect of inflation and population increases are factored in, Village revenues are not keeping pace with the level of revenue received in 2000. This is indicative of the economic challenges of the 2000 to 2003 period which negatively impacted the Village’s receipt of revenues and continues to impact current and future finances as the Village’s receipt of elastic revenues has not yet recovered to levels reached in 2000.



Tax Revenues in Constant Dollars, Governmental Funds

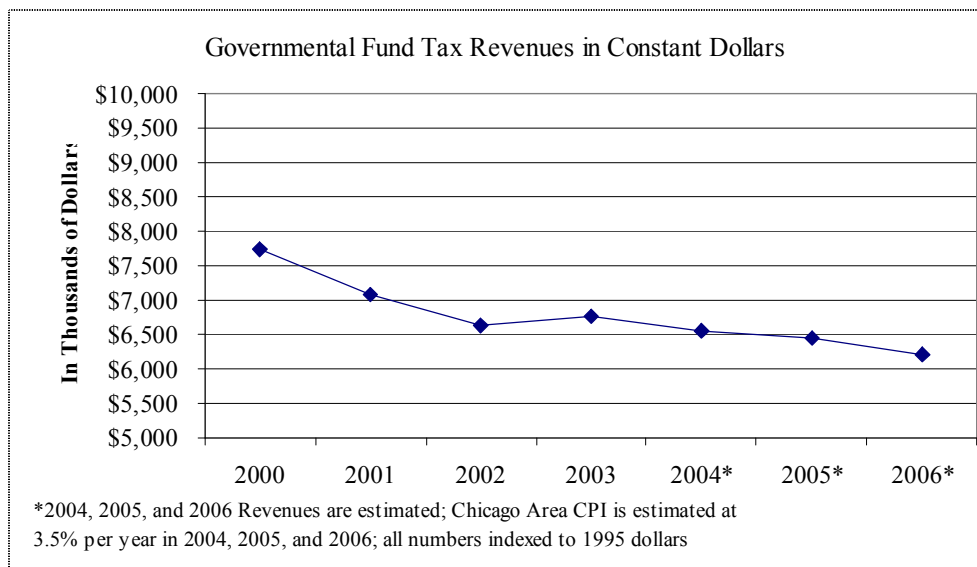
Definition and Significance: Measuring constant tax revenues in the Governmental Funds provides an indicator of the expansion in the Village's resource base and its ability to maintain or improve upon the services it provides to residents. In addition, this statistic provides information about the Village's ability to maintain and invest in the capital infrastructure in the community (*i.e., streets, sidewalks, storm sewers, bikeways, etc.*).

Basis of Measurement: This statistic is measured by summing all of the tax revenue received in the Governmental Funds (*i.e., General, Capital Improvement, TIF, and Debt Service*) for the past seven years. These totals are adjusted to a constant dollar basis, indexed to 1995 dollars, by using the Chicago Area Consume Price Index (*this is produced by the U.S. Department of Labor*).

Warning Signs: A decrease in Tax Revenues in Constant Dollars would indicate that the Village's ability to maintain governmental services and invest in capital infrastructure in the Village is being eroded.

Performance Rating: ★★

Analysis: Total tax revenues (*only Governmental Funds receive tax revenues*) have increased during the period from 2000 to 2006, however, when adjusted for inflation tax revenues have actually decreased due to the stagnation of elastic tax revenues. The Village is extremely susceptible to inflationary pressures in expenditures for salaries, fringe benefits, energy, and other contractual services as these comprise a major portion of the Village's expenditure budgets (*all of these tend to rise at a pace that is higher than the average pace of inflation*). The imbalance between the stagnation in elastic tax revenues and inflation in expenditures as a debilitating impact on the Village's ability to maintain the relationship between revenues and expenditures.



Elastic Revenues as a Percent of Total Revenues, Governmental Funds

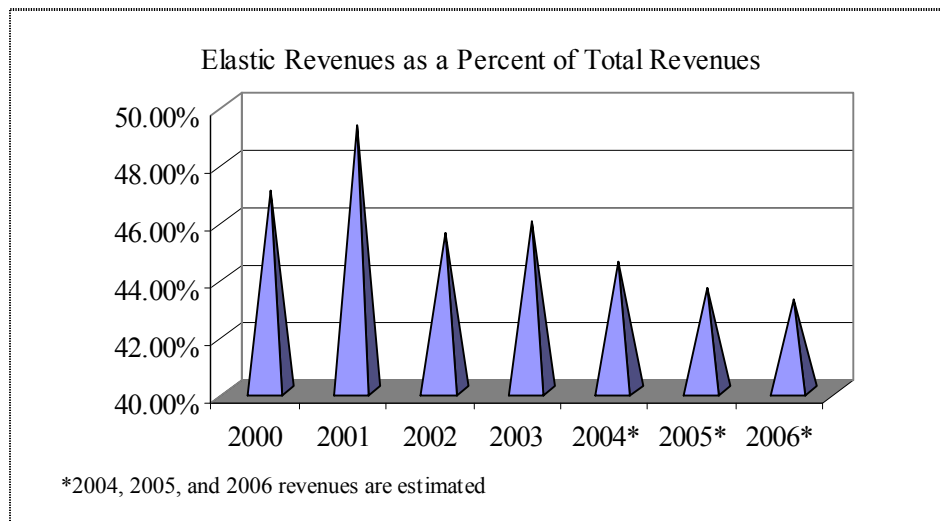
Definition and Significance: Elastic revenues are defined as those revenue sources that expand or contract readily in response to national and regional economic trends. Elastic revenues as a percent of total revenues is an important indicator of the Village's reliance on volatile revenue sources that may contract rapidly in response to a decline in economic activity.

Basis of Measurement: This ratio is measured by dividing all Village elastic revenue sources (*the major elastic revenue sources include Sales Tax, Income Tax, Local Use Tax, Replacement Tax, Hotel/Motel Tax, Utility Taxes, and Interest Income*) by total Village revenues (not including transfers, interfund charges, or borrowing).

Warning Signs: The goal of the Village should be to maintain a stable percentage of elastic revenue sources as a portion of total revenues over time. An increase in the percent of elastic revenue sources as a portion of total revenues means that the Village is becoming more reliant on volatile revenue sources that may contract suddenly. A decrease in the percent of elastic revenue sources as a portion of total revenues may indicate financial stress if the decrease is in response to economic events. A decrease may also indicate a structural decline in the Village's elastic revenue sources and this would mean that the Village is becoming more dependent on inelastic revenues. An enhanced reliance on inelastic revenues can be detrimental because they do not expand rapidly in response to economic events and therefore decrease the Village's ability to offset increasing operating costs in times of economic inflation.

Performance Rating: ★★ ★

Analysis: Elastic revenues as a percent of total revenues have been declining since 2002 due to the economic environment. An average rating for this statistic seems appropriate as the Village has maintained relative stability in 2002, 2003, and 2004 but the percent will decrease in 2005 and 2006 as the Village becomes more reliant on Charges for Services revenue to support the operations of the Fire and Police Departments (*due to increases in revenues from the respective contracts for service with Inverness and the BCFPD*).



Special Revenues as a Percent of Total Revenues, Governmental Funds

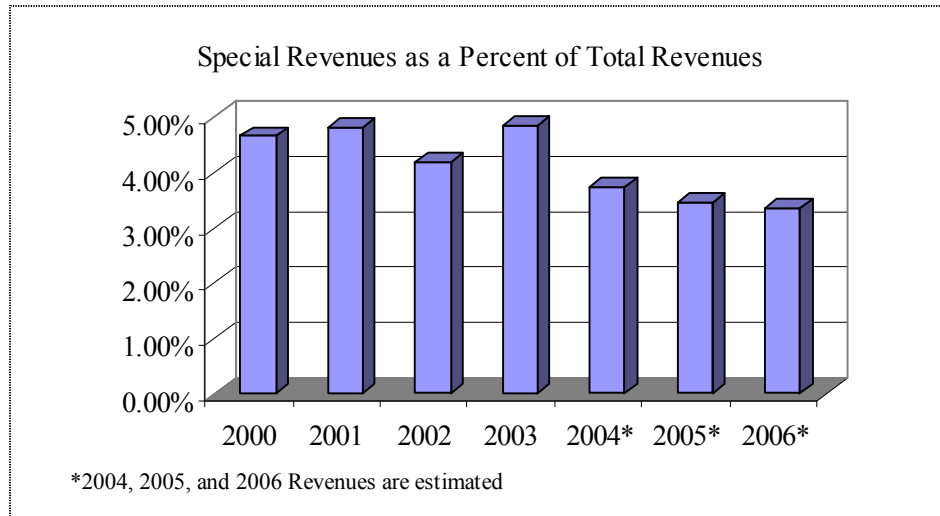
Definition and Significance: Special revenues as a percent of total revenues is an important indicator of the Village's Unrestricted revenue sources. Special revenues are those revenues that are restricted for a particular purpose. If these comprise a significant percentage of the total revenues in the Governmental Funds, this may indicate a lack of flexibility in future service provision efforts as the Village's ability to meet challenges is constrained by a low amount of unrestricted revenues.

Basis of Measurement: This is measured by totaling both special revenues and total revenues in the Governmental Funds and then dividing the special revenues by the total revenues.

Warning Signs: An increase in the percent of special revenues may indicate a trend towards less unrestricted revenue which potentially could undermine the Village's ability to meet changing service needs.

Performance Rating: ★★★★★

Analysis: Special revenues as a percent of total revenues have been decreasing since 2000. The Village's receipt of special revenues has increased during this period but other revenue sources have increased more rapidly. This indicates that a smaller portion of the Village's overall revenues are restricted in terms of their use.



User Charges Divided by Operating Expenses, Enterprise Funds

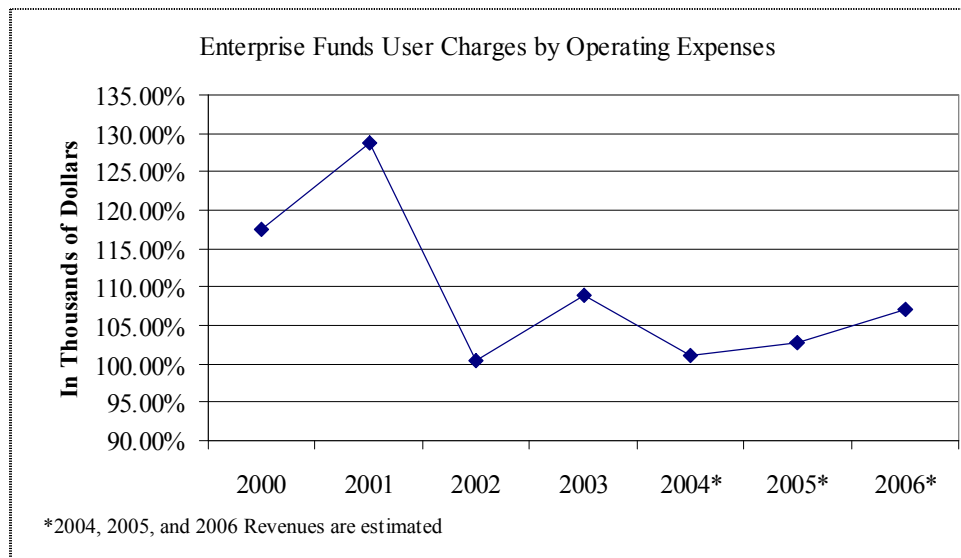
Definition and Significance: User charges divided by expenses in the Enterprise Funds is an important indicator of the Village's ability to offset Enterprise Fund expenses with sufficient revenues.

Basis of Measurement: This is measured by totaling Charges for Services in the Enterprise Funds and then dividing by total expenses.

Warning Signs: A decreasing trend (i.e., user charges are offsetting less and less operating expenses over time) or less than 110% in any one year. The Village uses 110% because investments in capital infrastructure also have to be financed by the Enterprise Funds and Depreciation Expense (which is a measure of the amount the Village should be investing in its capital infrastructure each year) is estimated to equal approximately 10% of total 2005 and 2006 expenses in the Enterprise Funds.

Performance Rating: ★★

Analysis: Dividing user charges by operating expenses for the Enterprise Funds provides a useful indicator of the ability of the Enterprise Funds to generate sufficient resources to support operations. This measure has declined substantially since 2001 and is not projected to return to 2001 levels during the seven year period illustrated in the chart. Despite this decline, this ratio never falls below 100% which would indicate a year in which operating expenses were larger than User Charges. However, this ratio also does not increase above 110% during the 2002 to 2006 period, this may indicate that the Village is not generating sufficient resources to be able to invest in its capital infrastructure as it becomes necessary in the future.



Investment Income, Pension Funds

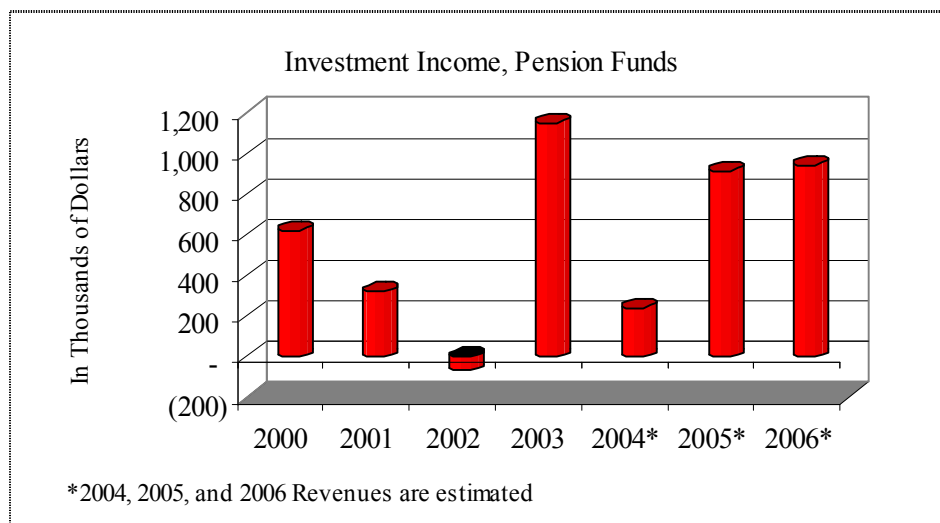
Definition and Significance: Investment Income in the Pension Funds is an important indicator of the Village's revenues because it has a significant impact on the Village's contribution to the Pension Funds. The greater the investment income in the pension funds, the less the Village needs to contribute to make sure the pension funds are fully funded (*all future pension liabilities are offset by future assets as determined by an actuary*).

Basis of Measurement: The total investment income earned by the Pension Funds by year.

Warning Signs: A sustained decline in Investment Income or negative investment income in one year.

Performance Rating: ★★

Analysis: It has been a tough investment environment for the Pension Funds during the past couple of years. In 2002, the Pension Funds actually had a negative return which has impacted the percent the Village must contribute to ensure the Pension Funds are fully funded in the future. The investment return in 2003 was significant but 2004 is again projected to be a difficult year. In 2005 and 2006 investment returns are estimated to be approximately \$900,000 between the two pension funds.



Expenditure Indicators – Expenditures roughly measure the Village’s service provision efforts and are an important indicator of financial condition.

Operating Expenditures per Capita

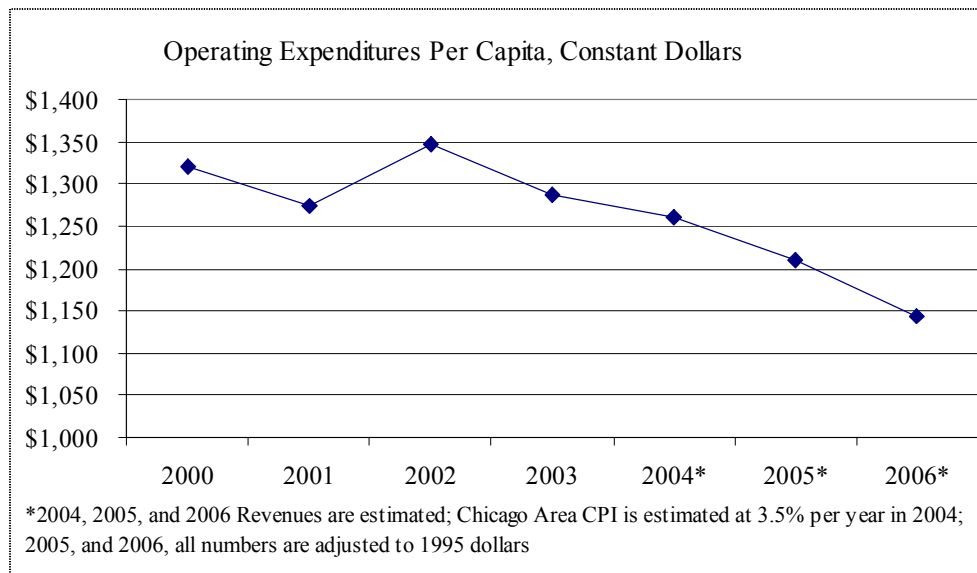
Definition and Significance: Expenditures per capita provide a measure of the amount the Village is expending per resident of the Village. This provides a statistic that can be used to compare current and projected expenditure patterns to previous years and to provide a basis for analyzing increases or decreases in expenditures.

Basis of Measurement: Total Expenditures for each of the past seven years are adjusted for inflation at 1995 dollars and then divided by the Village’s estimated population for each year (*estimated population is determined by taking the total increase that occurred for a period of time (i.e., 1990 to 2000), dividing it by the appropriate number of years to get an average increase per year and then adding that average increase to the base year*).

Warning Signs: Substantial increases or decreases in any one year or a sustained trend of increases or decreases. An increase in expenditures, if not prompted by an increase in services, may indicate that municipal service provision efforts are becoming less efficient. A decrease in expenditures may indicate the Village is experiencing challenges in maintaining service levels.

Performance Rating: ★★★★★

Analysis: Operating expenditures per capita, adjusted for inflation, will decline through the end of 2006 as the Village’s cost containment efforts impact future operating costs. In 2002, expenditures per capita increased because of a large increase in health insurance premium costs (20% for HMO and 30% for PPO) and a change in the Village’s capitalization policy which shifted some construction costs from capital to operating costs (*undertaken as part of the process of switching to GASB #34*).



Operating Expenditures by Function

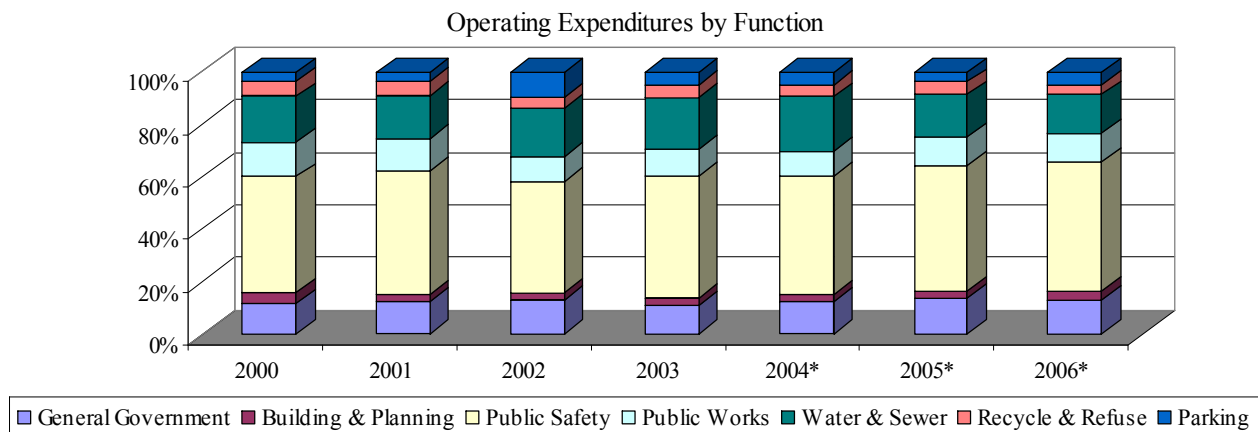
Definition and Significance: This is a measure of how the Village is allocating its resources in its service provision efforts. A change may be indicative of a change in the way the Village is choosing to provide services.

Basis of Measurement: This is measured by comparing seven year total operating expenditures for each of the major operating expenditure categories.

Warning Signs: Substantial increases or decreases in any one year or a sustained trend of increases or decreases in any function. Shifts in expenditures from one function to another, especially if expenditures shift towards general government, may indicate that the Village is having a difficult time meeting all of its obligations and is shifting resources to more high priority areas.

Performance Rating: ★★★★★

Analysis: As clearly demonstrated in this chart, the Village has and will continue to expend the majority of its resources on public safety and public works (including Water & Sewer). This is an important indicator of the Village's commitment to providing a high level of services to residents. General government expenditures (those associated with administration) have and will continue to remain between 11% and 13% of the total expenditures of the Village.



Expenditures by Category

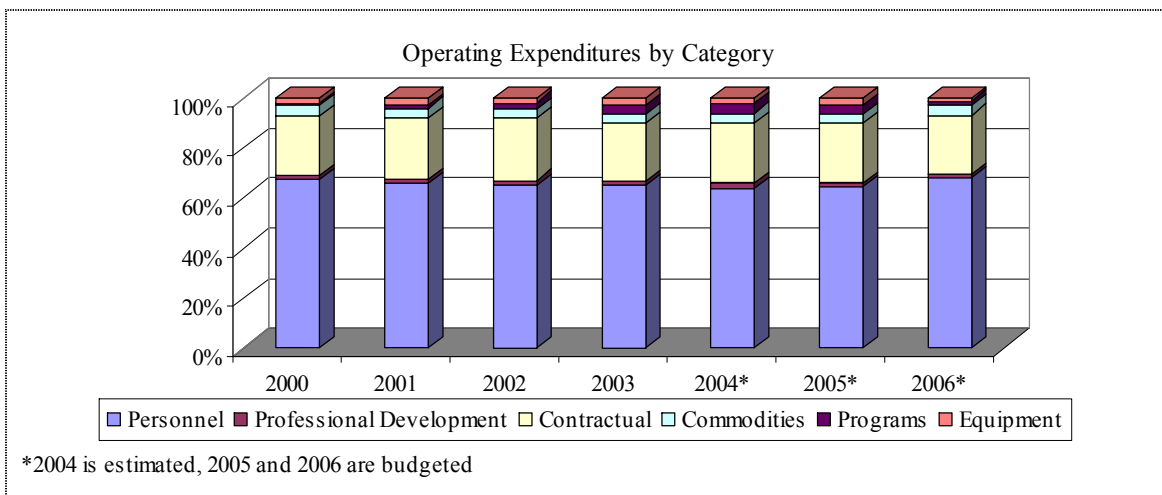
Definition and Significance: This is an indicator of the categories in which the Village incurs its expenditures.

Basis of Measurement: The total expenditures in each category for a seven year period.

Warning Signs: Substantial increases or decreases in any one year or a sustained trend of increases or decreases. Shifts in expenditures from one category to another may indicate that the Village is having a difficult time meeting all of its obligations or is shifting resources to high priority areas.

Performance Rating: ★★ ★

Analysis: Personnel expenditures are the largest component (over 60% in each year) of overall Village expenditures in every year. This tendency remains relatively stable during the time period illustrated. However, if in the future the labor market tightens, having personnel costs as such a high percentage of total Village costs could have a severe impact on future budgets.



Employees per Capita

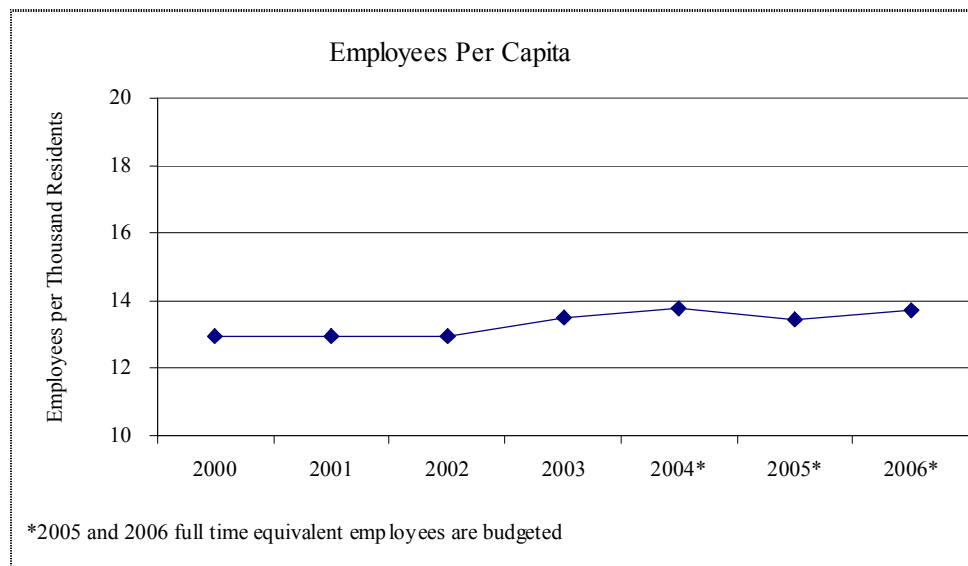
Definition and Significance: The employees per capita statistic provides an indication of the total number of employees the Village is employing in comparison to the total population over time.

Basis of Measurement: Divide the Village's total estimated population for each year by the total number of full time equivalent employees for each year (*estimated population is determined by taking the total increase that occurred between for a period of time (i.e., 1990 to 2000), dividing it by the appropriate number of years to get an average increase per year and then adding that average increase to the base year*).

Warning Signs: Substantial increases or decreases in any one year or a sustained trend of increases or decreases. Increases may indicate that the cost of providing municipal services is going to increase and the Village may have difficult financial challenges ahead if revenues do not also increase. A decrease may indicate that the Village will have a difficult time sustaining current levels of service.

Performance Rating: ★★★★★

Analysis: This ratio remains relatively constant throughout the period illustrated with the only increase occurring in 2004 when the Village authorized the addition of 12 Firefighter/Paramedics in an expansion of services in response to BCFPD building a third fire station. The slight decline in 2005 occurs as the hiring of 3 of the 12 Firefighter/Paramedics was delayed to August of 2005 (*thereby reducing the number of full-time equivalent employees in 2005 as only 33.34% of each one of the Firefighter/Paramedics to be hired is authorized in 2005*).



Fixed Costs as a Percent of Net Operating Expenditures/Expenses

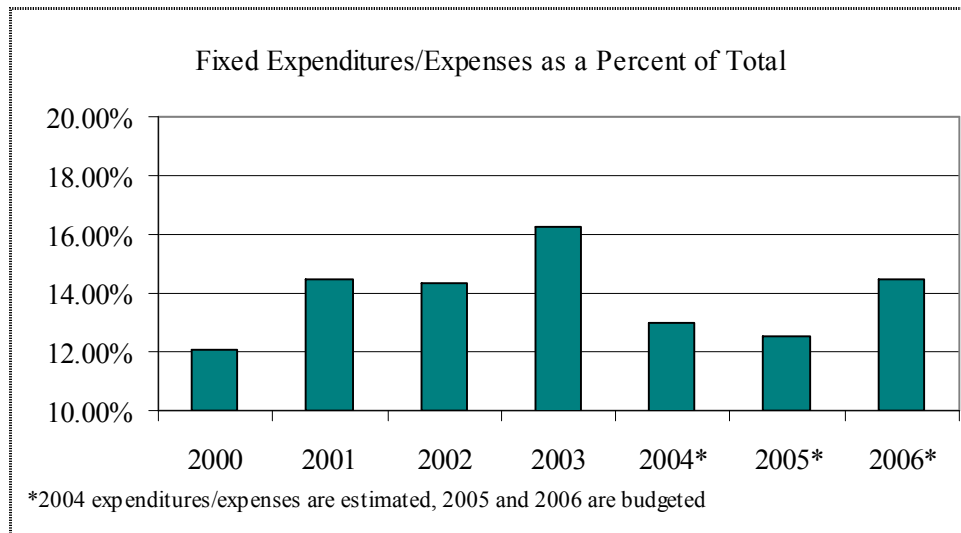
Definition and Significance: The operating expenditures of the Village are in part comprised of mandatory, fixed expenditures over which Village officials have short term control. These include expenditures to which the Village is legally obligated (*i.e., debt service and pension obligations*) and expenditures imposed by higher levels of government (*mandates*). The higher the level of fixed expenditures, the less flexibility Village officials have to adjust spending in response to fiscal challenges.

Basis of Measurement: Fixed expenditures include debt service expenditures, Pension Fund benefit expenditures, liability insurance expenditures, the emergency dispatch service contract, Water and Sewer Debt Service, and the Recycling and Refuse collection and disposal contract. These fixed expenditures/expenses are divided by total Village expenditures/expenses.

Warning Signs: A trend of increasing fixed expenditures as a percent of total expenditures. This may indicate a decrease in the level of financial flexibility for the Village and future difficulties in balancing the budget in financially challenging times.

Performance Rating: ★★☆☆

Analysis: Fixed costs as a percent of total operating expenditures/expenses remain relatively stable throughout the period illustrated with the highest year occurring in 2003. Overall, fixed costs typically remain around 15% of total expenditures/expenses thereby providing the Village with the ability to respond to changes in revenues by reducing variable costs.



Fringe Benefits as a Percent of Salaries

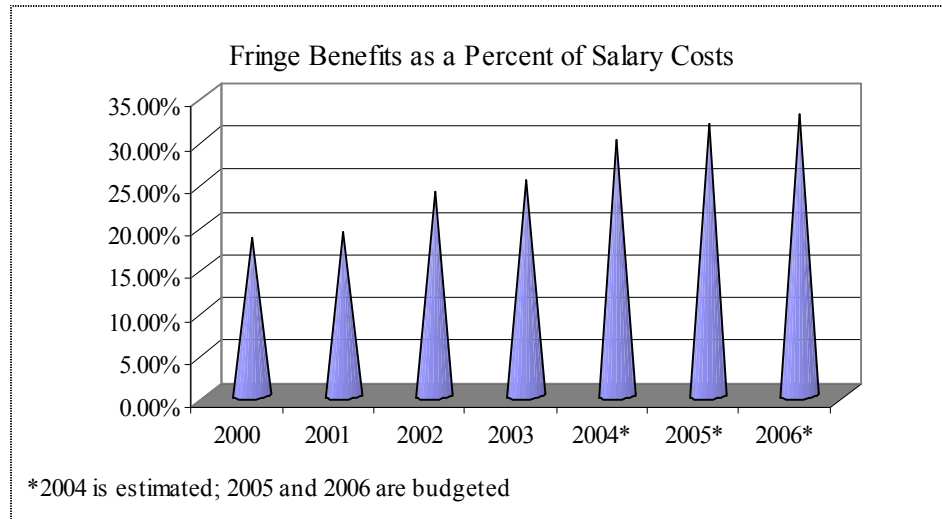
Definition and Significance: Fringe benefits as a percent of salaries is an important statistic because it provides information about the Village's ability to sustain operating expenditures/expenses with current revenues. This ratio provides information about trends in fringe benefit costs as these costs typically increase at rates exceeding the general rate of inflation.

Basis of Measurement: Total fringe benefit costs divided by total salary costs.

Warning Signs: A trend indicating fringe benefit costs as a percent of salary costs are on the rise. This indicates that the Village's ability to offset operating expenditures/expenses across all funds is being eroded because fringe benefit costs are increasing at a rate that is greater than the rate of increases in salaries.

Performance Rating: ★★

Analysis: Fringe benefits as a percent of salary costs have been increasing due to higher health insurance premiums and pension contributions. The increase in this indicator is reflective of national trends as fringe benefits are increasing at rates that exceed the rate of increase in salaries (*this is especially true for health insurance premiums*). If this trend continues, it may have a substantially negative impact on the Village's budget in the future.



Operating Position Indicators – Operating position refers to the Village’s ability to balance its budget on a current basis, maintain reserves for emergencies, and have sufficient liquidity to pay its bills on time.

Unreserved Fund Balances as a Percent of Net Operating Revenues, Governmental Funds

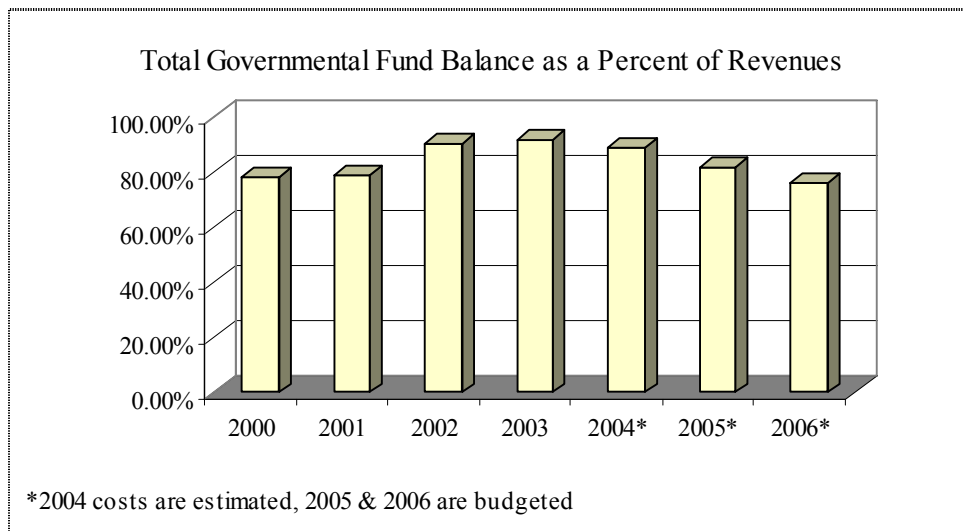
Definition and Significance: This statistic measures the amount of unrestricted resources available to meet Village obligations in the Governmental Funds in comparison to annual revenues in these Funds.

Basis of Measurement: Total Governmental Fund Unreserved – Undesignated Fund Balances divided by total Governmental Fund revenues.

Warning Signs: A substantial decrease in any one year or a trend of decreases. This would indicate that the Village’s ability to meet its obligations if revenues declined drastically in any one year was being eroded.

Performance Rating: ★★★★★

Analysis: Governmental Fund Balances as a percent of revenues are relatively high (around 80%) which means that the Village has resources available to respond to emergency expenditures or make up for the loss of a major revenue source in any one year.



Operating Income in Constant Dollars, Enterprise Funds

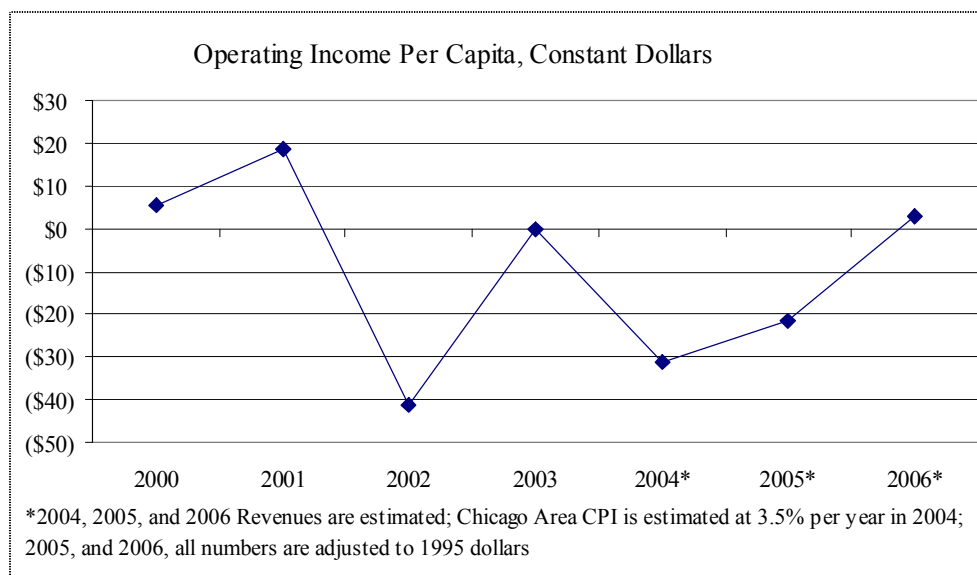
Definition and Significance: This statistic provides information about the ability of the Enterprise Funds to generate sufficient operating revenues to offset operating expenses

Basis of Measurement: Operating revenues less operating expenses in constant dollars

Warning Signs: A substantial decrease in operating income in one year or a trend of decreasing operating income over several years. Either of these situations would indicate that the ability of the Enterprise Funds to continue operations is being eroded.

Performance Rating: ★★

Analysis: Operating income per capita in constant dollars for the Enterprise Funds in 2002, 2004, and 2005 are less than \$0; this raises concerns and further analysis is necessary to determine if this situation will have long term implications or whether this is the result of current short-term challenges. Operating income per capita is low in 2002 because the Village contributed to the construction of the new Train Station which was a large expense in the Motor Vehicle Parking System Fund. In 2004, 2005 and 2006 the Motor Vehicle Parking System Fund will have a difficult time generating sufficient revenues to meet its operating expenses as maintenance costs for the new Train Station have increased. In addition, the Water and Sewer Fund is incurring additional operating expenses for the Star Meter Reading Program in 2004 and for non-capitalized construction costs in 2005. Operating income per capita does return to a positive position in 2006 as the Water and Sewer Fund is able to generate sufficient revenues to offset the challenge in the Motor Vehicle Parking System Fund.



Village Liquidity

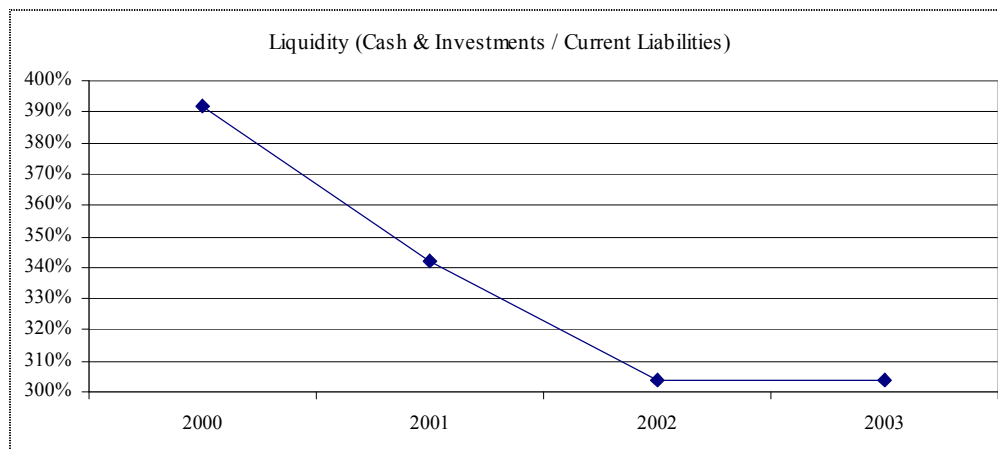
Definition and Significance: Liquidity is the primary measure of an organization's financial condition in the short term. Liquidity provides information about the Village's ability to meet its obligations with current assets.

Basis of Measurement: Cash and short term investments less current liabilities

Warning Signs: A substantial decrease in one year or a trend of decreasing liquidity may indicate that the Village will have trouble meeting its obligations in the future.

Performance Rating: ★★★★★

Analysis: Although there was a decline in this indicator during the time period illustrated, Village liquidity continues to remain above 300% which means that the Village's cash and investments are three times higher than its current liabilities.



Capital Expenditures as a Percent of Total Expenditures

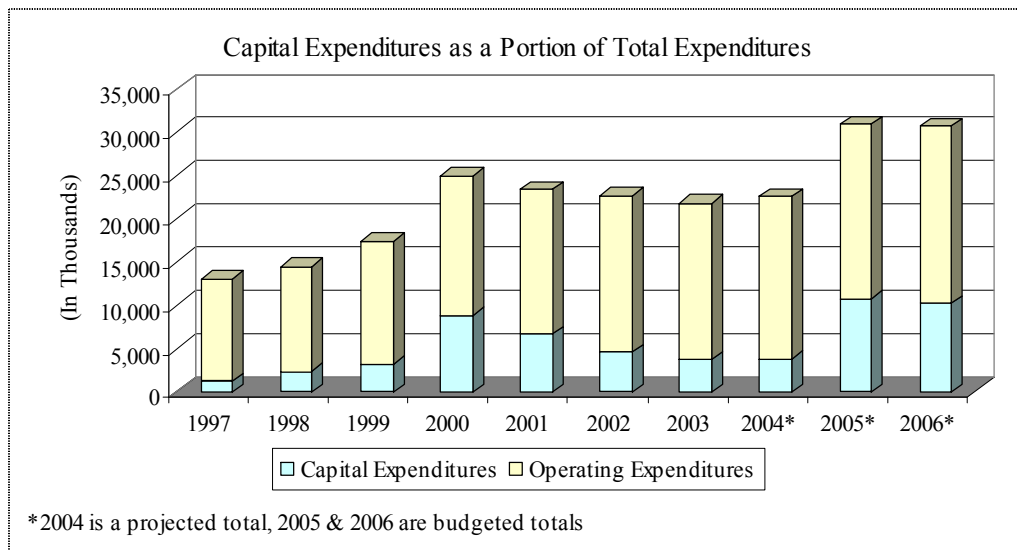
Definition and Significance: This is an important indicator of the Village's commitment to maintaining its capital assets. A lack of commitment to maintaining capital assets is an indicator of future severe financial consequences as maintaining capital assets becomes more expensive in the future as their condition deteriorates and the cost of construction increases at a pace faster than the general rate of inflation.

Basis of Measurement: Total capital expenditures as a percent of total expenditures.

Warning Signs: A decreasing trend of capital expenditures as percent of total expenditures.

Performance Rating: ★★★★★

Analysis: The Village has increased the amount it spends on capital projects during the time period illustrated as a result of the passage of the utility and telecommunications taxes which increased the resources available for capital projects. Prior to 2000 and the passage of these taxes, there was no dedicated revenue source for capital projects and the Village had a difficult time maintaining an adequate level of resources for capital projects.



Debt Indicators – Debt is an effective way to finance Capital Improvements but must be closely monitored to avoid serious financial problems.

Current Liabilities as Percentage of Net Operating Revenues

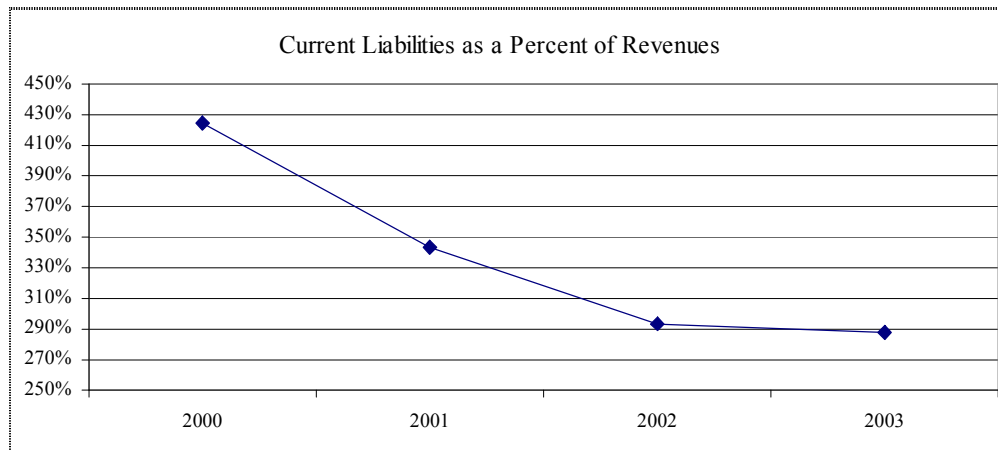
Definition and Significance: This indicates the ability of the Village to meet its future liabilities with operating revenues. Current liabilities are those that the Village has an obligation to pay within one fiscal year.

Basis of Measurement: Current liabilities divided by net operating revenues

Warning Signs: A trend of increases in current liabilities as a percent of net operating revenues may indicate that the Village will not be able to meet its future liabilities due to the lack of sufficient revenues.

Performance Rating: ★★★★★

Analysis: Although this ratio has been declining, Village current liabilities as percent of revenues remains above 275% which means that Village revenues are close to three times the amount of its liabilities.



Long Term Debt as a Percent of Assessed Valuation

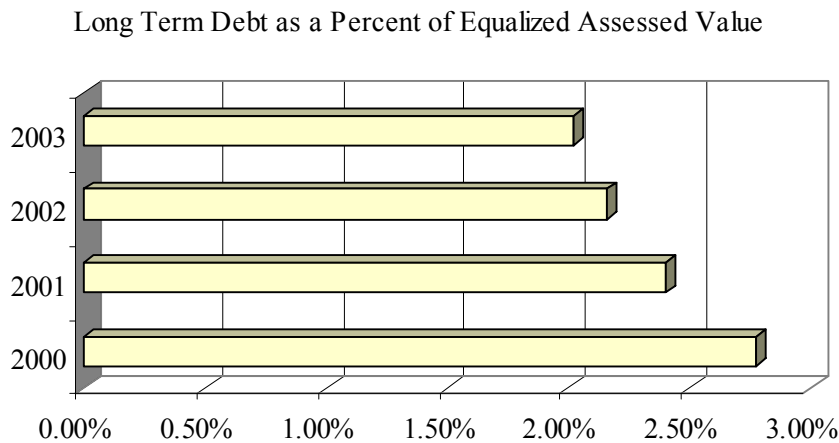
Definition and Significance: This statistic compares the Village's EAV to general obligation debt. This information provides an analytical measure of the Village's ability to service its current debt obligations as well as measuring the Village's ability to incur further debt if necessary.

Basis of Measurement: Total general obligation bonded debt divided by the Village's EAV.

Warning Signs: A trend of increases in general obligation debt as a percent of EAV may indicate that the Village will have trouble meeting its future debt obligations and will not be able to incur further debt.

Performance Rating: ★★★★★

Analysis: Long term general obligation bonded debt as a percent of equalized assessed value is restricted by State statute to a maximum of 8.25% (*please review Appendix B: Legal Debt and Schedules of Existing Debt*). The Village issued debt in 1998 in conjunction with the Village Facilities Project which included the construction of a new Village Hall and a new Public Safety Facility. As demonstrated in the chart below, the Village has been steadily paying off this debt and the amount of long term debt as a percent of EAV has been steadily declining.



Firefighter's and Police Pension Plan Assets as a Percent of Benefits Paid

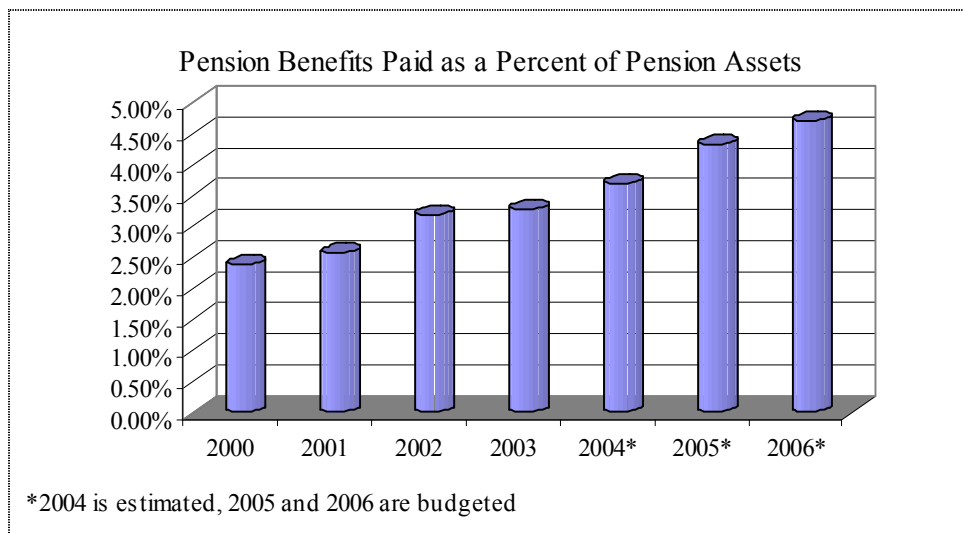
Definition and Significance: This statistic provides information about the Village's ability to sustain benefit payments to retirees of the pension funds.

Basis of Measurement: Total benefits paid divided by total Pension Fund assets.

Warning Signs: An unanticipated substantial increase in any one year or a trend of unanticipated increases. This would indicate that Pension Fund Assets are becoming less adequate in terms of providing for actual benefit payments.

Performance Rating: ★★☆☆

Analysis: The percent of Pension Benefits paid as a percent of Pension Assets has increased since 2000 but remains below 5.00%. The increases are caused by higher benefit payments as more Village employees retire from service. This statistic will continue to increase in the future as many Village employees in the Police Department are approaching sufficient years of service and age to retire with a full pension.



Comparative Indicators – This section utilizes the ten point test of financial condition to compare the financial condition of the Village to “Comparable Communities” as well as Cook County and all Illinois municipalities. This provides a benchmark analysis of the Village’s financial condition compared to other municipalities.

Ten Point Test of Financial Condition

Definition and Significance: The ten point test of financial condition was developed to provide information about the financial condition of a municipality. Developing the ratios included in the ten point test and then comparing the Village’s performance over time provides an analysis of the Village’s financial condition. Comparing the Village to the averages for other communities by using information from the most recent annual financial report database (*issued by the State of Illinois Comptroller’s Office and based on the Annual Financial Reports (AFR) from all municipalities in the State*) provides benchmark indicators for the Village.

Basis of Measurement: Explained in the charts below.

Warning Signs: A decrease in the Village’s financial position over time or a decrease in comparison to other communities.

Performance Rating: ★★☆☆

Analysis: Despite all of the challenges that the Village has undergone during the past four years, the Village continues to maintain a positive fiscal position in comparison to its comparable communities, all Cook County Municipalities of a similar size, and all Illinois Municipalities of a similar size. The Village was better than the average in every one of the tests except for the two tests associated with Debt (*these are somewhat skewed because some communities do not have any general obligation debt and therefore bring down the average*). However, the Village’s position on the two tests related to debt has been improving over time as the general obligation debt issued in conjunction with the Village Facilities Project is paid off (*this is demonstrated in the second table which illustrates the Village’s performance over time*).

The Village’s fiscal position, as analyzed in the ten tests, was more positive at the end of 2003 than at the end of 2002. Six of the ten ratios generated from the tests were more positive than in 2002, one ratio remained constant, and three ratios were slightly negative in comparison to 2002. Overall, the Village’s financial position improved considerably, as measured by the ten point test of financial condition, when compared to 2002.

----- Barrington Compared to Other Communities, FY 2003 -----

<u>Description of Test</u>	<u>Desired Tendency</u>	<u>Barrington</u>	<u>Comparable Municipalities</u>	<u>Cook County Municipalities</u>	<u>Illinois Municipalities</u>
Governmental Fund Revenue / Population	High	\$1,538	\$958	\$1,155	\$567
Local General Fund Revenue / Total General Fund Revenue	High	91.95%	88.43%	85.05%	83.35%
Other Fund Sources / General Fund Sources	Low	0.00%	4.22%	5.01%	4.78%
Governmental Fund Operating Expenditures / Governmental Fund Total Expenditures	Low	84.60%	84.20%	88.96%	86.64%
Governmental Fund Revenue / Governmental Fund Expenditures	High	108.03%	87.52%	87.63%	90.76%

----- Barrington Compared to Other Communities, FY 2003 -----

<u>Description of Test</u>	<u>Desired Tendency</u>	<u>Barrington</u>	<u>Comparable Municipalities</u>	<u>Cook County Municipalities</u>	<u>Illinois Municipalities</u>
General Fund Year-End Balance / General Fund Revenue	High	88.73%	63.32%	29.10%	44.13%
General Fund Cash & Investments / General Fund Liabilities	High	303.19%	150.73%	230.07%	284.55%
General Fund Liabilities / General Fund Revenues	Low	23.38%	38.93%	38.39%	32.02%
General Obligation Debt / Population	Low	\$881.20	\$357.01	\$301.91	\$260.58
Debt Service / Governmental Fund Revenue	Low	4.61%	3.87%	4.88%	2.97%

----- Barrington Ratios, Fiscal Years 2000 – 2003 -----

<u>Description of Test</u>	<u>Desired Tendency</u>	<u>FY 2003</u>	<u>FY 2002</u>	<u>FY 2001</u>	<u>FY 2000</u>
Governmental Fund Revenue / Population	High	\$1,538	\$1,417	\$1,556	\$1,627
Local General Fund Revenue / Total General Fund Revenue	High	91.95%	93.11%	95.27%	94.64%
Other Fund Sources / General Fund Sources	Low	0.00%	0.00%	0.00%	0.00%
Governmental Fund Operating Expenditures / Governmental Fund Total Expenditures	Low	84.60%	77.07%	87.78%	65.58%
Governmental Fund Revenue / Governmental Fund Expenditures	High	108.03%	105.85%	97.05%	94.95%
General Fund Year-End Balance / General Fund Revenue	High	88.73%	90.05%	74.78%	61.16%
General Fund Cash & Investments / General Fund Liabilities	High	303.19%	283.71%	238.73%	194.81%
General Fund Liabilities / General Fund Revenues	Low	23.38%	25.97%	23.76%	22.76%
General Obligation Debt / Population	Low	\$881.20	\$922.50	\$961.84	\$999.70
Debt Service / Governmental Fund Revenue	Low	4.61%	5.24%	5.44%	5.37%